Making Payments to Foreign Persons & Entities

Procurement Services Training

October 2018
• Background Information on Transactions
• Governing Agencies and Regulations
• Four Questions
• Vendor Management & Accounts Payable Procedures
• Withholding & Reporting
Background on Foreign Transactions at Columbia

• Annually AP processes over $100M in payments to foreign individuals and entities, distributed across 11,000 vouchers and 3,000 vendors/payees

• Payments include vendor invoices, royalties, sub awards, expense reimbursements, honoraria, prizes, scholarships/fellowships

• Payments through AP are in addition to payments and financial aid awards made via Payroll, and via SFS
Background on Foreign Transactions at Columbia

<table>
<thead>
<tr>
<th>Transaction</th>
<th>AP</th>
<th>HRPC/ Payroll</th>
<th>SFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor Goods/Services Payments</td>
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<tr>
<td>Royalties</td>
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<td>Sub Awards</td>
<td>X</td>
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<tr>
<td>Prizes &amp; Awards</td>
<td>X*</td>
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<td>Reimbursements</td>
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<tr>
<td>Qualified Scholarships &amp; Fellowship</td>
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<tr>
<td>Non Qualified Scholarships, Fellowships, Stipends</td>
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<tr>
<td>Honoraria</td>
<td>X*</td>
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<tr>
<td>Human Subject Payments</td>
<td>X</td>
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</tbody>
</table>

*Prizes, Awards & Honoraria Are Now Processed By Accounts Payable Instead of the HRPC
• **Foreign Person** - A foreign person includes a nonresident alien individual, foreign corporation, foreign partnership, foreign trust, a foreign estate, and any other person that is not a U.S. person. A foreign payee is subject to withholding.

• **Nonresident Alien** – A nonresident alien is an individual who is not a U.S. citizen or resident alien. A *resident* of a foreign country under the *residence article of an income tax treaty* is a nonresident alien individual for purposes of withholding.

• **Resident Alien** – A resident alien is an individual that is not a citizen or national of the United States and who meets either the “green card test” or the substantial presence test for the calendar year, and does not have special treaty status. Not subject to withholding but is subject to reporting via 1099. Must provide SSN.

• **FATCA** - Foreign Account Tax Compliance Act – Requires U.S. persons to report their ownership in foreign financial institutions and/or U.S. persons holding a substantial ownership interest in foreign entities.
Key Compliance Issues

• How do I determine if a person or entity qualifies as a foreign person?

• Tax form is a certification of what type of person the individual/entity is considered by the IRS
  • W-9 for U.S. person, Resident Aliens
  • W-8 for Foreign Person, Non Resident Aliens
  • Form 8233 for Certain Foreign Persons

• Key IRS compliance item is ensuring receipt of tax form prior to conducting business with individual or entity
Two Major Governing Agencies

Dept of Homeland Security/
U.S. Citizenship & Immigration Svc

- Enforces laws governing transactions with Non Resident Aliens (NRA)
  - Visa Compliance
  - Employment Authorization
- Customs & Border Protection (CBP) enforces border security, foreign travel activity
  - Length of Stay Authorization

Dept of Treasury/
Internal Revenue Service

- Enforces tax laws and procedures
  - Withholding of Tax on Non Resident Aliens (NRAs) and Foreign Entities
  - U.S. Tax Treaties
  - Tax Forms & Tax IDs
  - Tax Reporting

Dept of Treasury/Office of Foreign Assets Control (OFAC)

- Enforces sanctions
Key Compliance Issues

• The IRS deems Columbia University a withholding agent. Columbia University is liable for any tax required to be withheld. If the University fails to withhold, then the University is liable for tax, as well as interest and any applicable penalties.

• Columbia University is required to be in compliance with Dept. of Homeland Security/ U.S. Citizenship & Immigration Service regulations. Violations carry significant penalties.

• Columbia University is prohibited from engaging in transactions with Specially Designated Nationals (SDNs) wherever they are located. “Restricted Party Screening” is used to comply with U.S. sanctions regulations. Violations carry significant penalties.
Four Questions

• Is It Allowable to Conduct Business With the Foreign Person?
  • Compliance with Dept of Treasury/OFAC
  • Restricted Party Screening

• What’s the Status of the Foreign Person and What Activities Are Authorized With That Status?
  • Compliance with Dept of Homeland Security (DHS)
  • Most Commonly Determined by Visa Type/Status

• Is the Payment to the Foreign Person Subject to Withholding?
  • Compliance with Dept of Treasury/IRS
  • Source Determination

• If the Payment is Subject to Withholding, Is the Foreign Person Eligible to Claim Any Exemption?
  • Compliance with Dept of Treasury/IRS
  • Tax Treaty & Tax ID
Allowable to Conduct Business with Foreign Person?
Sanctions – An Overview

- U.S. Treasury Department – Office of Foreign Assets Control (OFAC) administers regulations

- Sanctions maintained against certain countries, industries, entities and individuals

- Restrictions vary among countries
  - Comprehensive restrictions
    - CUBA, IRAN, NORTH KOREA, SYRIA, SUDAN
    - Broad prohibitions on transactions involving these countries
  - Limited restrictions
    - Balkans, Belarus, Burma (Myanmar), Central African Republic, Cote d’Ivoire, DR Congo, Iraq, Lebanon, Liberia, Libya, Somalia, South Sudan, Ukraine, Yemen, Zimbabwe
    - Counter Narcotics Trafficking, Counter Terrorism, Magnitsky Act, Non-Proliferation, Rough Diamond Trade, Transnational Criminal Organizations
Sanctions – SDNs

• OFAC – Specially Designated Nationals and Blocked Parties List (SDN List)
  – >6000 entities and individuals listed
  – U.S. persons prohibited from engaging in *any transactions or dealings* with SDNs or entities owned/controlled by SDNs

• Updated frequently and includes foreign and U.S. individuals and entities

• “Restricted Party Screening” – key to compliance
  – *Visual Compliance* – online screening software
    • Screens names against SDN List and other U.S. Government “restricted party” lists
Sanctions – Prohibited Transactions

• Prohibited transactions include –
  – Making or receiving payments to or from SDNs
  – Entering into contracts, agreements or research collaborations with SDNs
  – Providing or receiving services to or from SDNs
    • OFAC interprets “services” *broadly*

• OFAC license—authorization from OFAC to engage in a transaction that otherwise would be prohibited-- must be obtained *prior* to engaging in transaction with an SDN
Status & Authorization of Foreign Person?
What Is Status & Authorization?

Documents Associated with Status & Authorization

- **Passport** - Issuing country’s permission for individual to travel

- **Visa** - Nonimmigrant Classification while within the U.S. as determined by the DHS
  - temporarily authorizes you to be in the U.S.
  - determines eligibility for payments or reimbursements

- **I-94 (or ESTA Receipt #)** – Notes length of authorized stay in U.S.
What Is Status & Authorization?

Entry Visa

- Visa Type
- # of Entries
- Expiration Date
What Is Status & Authorization?

- There are many different types or classifications of visas. Each classification of visa is determined by the purpose of entry. For Universities, the most common classifications of visa are:
  - Visitors: Temporary visitors for business (B1 Visa)
  - Academic Students (F1 Visa)
  - Temporary Workers: Specialty Occupations (H1B Visa)
  - Exchange Visitors (J1 Visa)
The Visa Waiver Program (VWP) allows citizens of participating countries to travel to the United States without a visa for stays of 90 days or less, when they meet the following requirements:

- Travel Purpose Must Be Permitted on a Visitor (B) Visa
- Cannot Receive any salary, income;
- Only reimbursements and honorarium (under certain circumstances) allowed
- Unallowable purposes: student, employment, permanent residence
What Is Status & Authorization?

Citizen or National of a VWP Designated Country *
You must be a citizen or national of VWP-participant country*. The following 38 countries* are Visa Waiver Program participants:

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<td>Norway</td>
<td>Switzerland</td>
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*VWP Designated Country: A country approved to participate in the Visa Waiver Program.

*Participant Country: A country whose citizens or nationals are eligible to participate in the Visa Waiver Program.
• A visa is generally not required for citizens of Canada and Bermuda. However, exceptions apply:

  – Travel purpose-student. Generally F-1/ J-1 Visa required.
  – Traveler is a participant in the Global Entry Program and or possesses a NEXUS photo ID card.
  – Traveler is a participant in the Visa Waiver Program WB/WT visa stamp in passport or ESTA.
What Is Status & Authorization?

- A visa or passport are generally not required of a Mexican national. However, exceptions apply:
  - Traveler is a participant in the Visa Waiver Program-WB/WT visa stamp in passport, border crossing card or ESTA.
What Is Status & Authorization?

International Students and Scholars Office (ISSO) maintains a chart on their website that details what payment authorizations are allowed by visa type:

- Honorarium
- Salary
- Expense Reimbursement
- Per Diem

http://finance.columbia.edu/content/visa-payment-salary-eligibility-chart
• **The Honorarium Rule** allows for foreign individuals within an academic environment under visa types B-1, B-2, W-T (Visa Waiver Tourist Program), W-B (Visa Waiver Business Program), Visa Exempt Canadians or Mexicans with Border Crossing Cards to:
  
  • Perform academic services such as lectures
  • For periods up to 9 days at a time
  • For no more that 5 institutions per 6 month period

  Not available to visa types such as H-1b, A, G, O, P

• Honorarium Rule does not apply to other entities other than higher education or nonprofit or government research institutions.

• Not applicable to services that are not usual academic services.

• Honorarium is a “thank you” payment, usually to an outside party. It is **NOT** a payment for an invoice, to an agent, to a student.

• Honorarium payments are still subject to withholding, and from IRS tax perspective considered a payment for service.
What Is Status & Authorization?

- Form I-94 is the DHS Arrival/Departure Record issued to aliens who are admitted to the U.S.

- This visitor must exit the U.S. on or before the designated departure date.

- Transactions should occur during the authorized length of stay.

- I-94 Form is being phased out for air/sea arrivals and replaced by an electronic travel record.

- Paper I-94 form with stamp remains for land arrivals.

- Members of Visa Waiver Program utilize Electronic System for Travel Authorization (ESTA) in place of I-94.
What Is Status & Authorization?

Old I-94 Form

New I-94 Form

<table>
<thead>
<tr>
<th>Most Recent I-94</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission (I-94) Record Number: 04433737030</td>
</tr>
<tr>
<td>Most Recent Date of Entry: 2013 August 18</td>
</tr>
<tr>
<td>Class of Admission: J1</td>
</tr>
<tr>
<td>Admit Until Date: D/S</td>
</tr>
</tbody>
</table>

Details provided on the I-94 Information form:

- Last/Surname: RONG YUAN
- First (Given) Name: X.J.E
- Birth Date: 08/10/68
- Passport Number: G07612840
- Country of Issuance: Mexico
What Is Status & Authorization?

Screen shot from ESTA Application Process with Application Number

Sample Confirmation page for Approved ESTA Application

ESTA Application: 05-2009 13:57 EST

Authorization Approved
Your travel authorization has been approved and you are authorized to travel to the United States under the Visa Waiver Program. This does not guarantee admission to the United States; a Customs and Border Protection (CBP) officer at a port of entry will have the final determination.

Application Number: R0: W7HK X
Expiration Date: 05/05/2010

This is a sample
Effective April 1, 2016, new VWP traveling under ESTA must have an e-passport.

What Changed:

- E-Passport: has an electronic chip that holds the traveler’s biographic information.

- Travelers entering U.S. with passports issued on or after October 26, 2006 and are traveling under the Visa Waiver Program (VWP) are required to have an E-Passport.

- [https://www.cbp.gov/travel/international-visitors/esta](https://www.cbp.gov/travel/international-visitors/esta)
Is Payment Subject to Withholding?
Almost all payments to foreign persons are potentially subject to withholding.

The only categorical exceptions:

- Qualified scholarships, i.e. directly tied to instruction and achieving a degree (tuition, books and course materials, lab fees)
- Expense Reimbursements
- Payments for Goods Manufactured outside the U.S.

Payment types that are subject to withholding:

- Payments for services
- Royalties, licenses
- Prizes, awards
- Non-qualified scholarship, fellowship, stipends
- Rent
Is Payment Subject to Withholding?

A determination whether a payment is subject to withholding, depends on whether it is U.S. Sourced.

- If a payment is determined to be U.S. Sourced, then it is subject to withholding.

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>U.S. Source Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>Were services performed in U.S.?</td>
</tr>
<tr>
<td>Prizes, Awards</td>
<td>Is payer of prize, award located in U.S.?</td>
</tr>
<tr>
<td>Scholarship, Fellowship, Stipend</td>
<td>Is payer of non-qualified scholarship, fellowship, stipend located in U.S.?</td>
</tr>
<tr>
<td>Royalties, license (software &amp; other), reprint permission</td>
<td>Is all or part of the permission granted by the royalty, license exercised in the U.S.?</td>
</tr>
<tr>
<td>Rent</td>
<td>Is the property of the rental payment located in U.S.?</td>
</tr>
</tbody>
</table>
Is Payment Subject to Withholding?

- Most payments subject to withholding have a withholding rate of 30%.

- Withholding rate for non-qualified scholarship, non-qualified fellowship, stipend payments is 13% - 15%.

- AP must withhold at time of payment and submit withheld amount to IRS.
Once AP has withheld tax on a payment and submitted the withheld amount to IRS, foreign person must follow up directly with IRS if subsequently wants to claim exemption eligibility and be reimbursed for all or part of withheld tax.

Example: A foreign person is a resident of a country with a tax treaty with U.S. but does not have an ITIN. AP withholds 30% and submits to IRS. Foreign person subsequently applies for and obtains an ITIN.

Foreign person would need to apply directly to IRS, by the timely filing of a tax return, to obtain repayment of withheld amount.
Can Withholding Exemption Be Claimed?
For a foreign person/entity to successfully claim an exemption from all or part of the withholding, must:

- Claim an existing tax treaty with U.S. AND
- Provide an acceptable Tax ID – U.S. Tax ID or Foreign Tax ID (FATCA)- W-8 only. For Form 8233 U.S. Tax ID required.

- Tax treaty is claimed via Form W8-BEN, W8-BENE, W8-IMY or 8233.
- Certain other statuses may allow for exemption
Can Withholding Exemption Be Claimed?

- Only Certain Countries Have a Tax Treaty with U.S.
  - Under tax treaties, residents (not necessarily citizens) of foreign countries are exempt from US income tax or taxed at a reduced rate on certain types of income received from a US source.
  - For certain payments (mostly managed by Payroll) if a foreign person has spent over a certain number of days in U.S. (Substantial Presence Test) they are not able to claim tax treaty

- Acceptable Tax ID Numbers Are Issued By IRS & SSA
  - Social Security Number (SSN)
  - Employer Identification Number (EIN)
  - Individual Taxpayer Identification Number (ITIN)*
  - FATCA – Foreign Tax ID # on W-8 tax forms only.

- Unacceptable Numbers for Claiming a Tax Treaty
  - Passport Number
  - Visa Number
  - Foreign Tax ID Number on Form 8233
International Tax ID Number (ITIN) Update

- January 2017 IRS Update:
  - ITIN that is not used on a federal tax return for three consecutive tax years will expire on December 31 of the third consecutive tax year of nonuse.

- What Does this mean to the Individual claiming tax treaty benefits
  - If the Individual has not filed a tax return within three years, the individual must contact the IRS to determine whether or not renewal or reapply circumstance applies.
  - The individual cannot claim tax treaty benefits.
Can Withholding Exemption Be Claimed?

In 2010, Congress passed the Foreign Account Tax Compliance Act, FATCA. The intent behind FATCA is to keep US persons from hiding income and assets overseas.

The main implication for non-financial institutions is the establishment of new W8 Forms (and W9 Forms), which have recently been issued by the IRS. Separate Forms for Individuals (W8-BEN) and Entities (W8-BEN-E) W8-BEN-E is a much longer form with additional information required primarily for financial institutions W8-BEN for Individuals now requests date of birth

Columbia required use of new forms effective January 1, 2015
## Can Withholding Exemption Be Claimed?

<table>
<thead>
<tr>
<th>Tax Form</th>
<th>Used By</th>
</tr>
</thead>
<tbody>
<tr>
<td>W8-BEN</td>
<td>Foreign Individuals Claiming Tax Treaty Exemption. Foreign Individuals Claiming Tax Treaty Exemption for Payments Other Than Services (e.g. prizes, awards) – Exempt from FATCA requirement One page form. <strong>New version- July 2017</strong></td>
</tr>
<tr>
<td>8233</td>
<td>Foreign Individuals Claiming Tax Treaty Exemption for Payments for Services. Exempt from FATCA requirement. Two page form.</td>
</tr>
<tr>
<td>W8-ECI</td>
<td>Foreign entities with income effectively connected to activities within the United States. Generally not subject to withholding. Exempt from FATCA requirement. <strong>New version-July 2017</strong></td>
</tr>
</tbody>
</table>
Can Withholding Exemption Be Claimed?

<table>
<thead>
<tr>
<th>Tax Forms</th>
<th>Used By</th>
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<tbody>
<tr>
<td>W8-IMY</td>
<td>Foreign intermediaries, flow-through entities. Generally subject to withholding. Subject to FATCA requirement. June 2017 version</td>
</tr>
<tr>
<td>W8-EXP</td>
<td>Foreign government, international organizations, foreign tax-exempt organizations. Generally not subject to withholding or FATCA requirement. July 2017 version</td>
</tr>
</tbody>
</table>
Can Withholding Exemption Be Claimed?

Form 8233—the form used by foreign individuals providing a service who are claiming a tax exemption—has additional procedural requirements that do not apply to the W8-BEN. These procedural requirements follow specific deadlines:

- The foreign individual should submit a completed Form 8233 at the completion of their service.
- Procurement Services, as withholding agent, is required to sign and submit the completed Form 8233 to the IRS within 5 business days of receipt.
- Once received, the IRS has up to 10 days to review and provide approval of tax treaty claim:
  - If there is no approval from the IRS after 10 day, CU will withhold 30%.
  - If a Form 8233 is not submitted to Procurement Services within 5 days of completion of services, the tax treaty cannot be claimed; CU will withhold 30%.
- Remember, a tax treaty can only be claimed if the foreign person has an acceptable U.S. Tax ID.
Can Withholding Exemption Be Claimed?

TAX TREATY CLAIM. MUST HAVE U.S. TAX ID# SCHOLARSHIP/FELLOWSHIP HONORARIA, CONSULTANT
Can Withholding Exemption Be Claimed? UPDATE W8BEN-E

<table>
<thead>
<tr>
<th>Updated</th>
<th>Part III Claim of Tax</th>
<th>Treaty Benefits</th>
<th>Limit of Benefit (LOB)</th>
<th>Requirement</th>
</tr>
</thead>
</table>
Can Withholding Exemption Be Claimed?

**UPDATE W8BEN-E**

**UPDATED PART III CLAIM OF TAX TREATY BENEFITS LIMIT OF BENEFIT (LOB) REQUIREMENT**

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**Part XXX - Exception Inter-Affiliate FFI**

- Is a member of an expanded affiliated group:
  - Does not maintain financial accounts (other than accounts maintained for members of its expanded affiliated group);
  - Does not make withholding payments to any person other than to members of its expanded affiliated group;
  - Does not hold an account (other than dispository accounts in the country in which the entity is operating to pay for expenses with or receive payments from any withholding agent other than a member of its expanded affiliated group); and
  - Has not agreed to report under Regulations section 1.1471-4(d)(3)(v)(C) or otherwise act as an agent for chapter 4 purposes on behalf of any financial institution, including a member of its expanded affiliated group.

**Part X - Sponsored Direct Reporting NPFE (see instructions for when this is permitted)**

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<th>Name of sponsoring entity</th>
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**Part X - Substantial U.S. Owners of Passive NPFE**

As required by Part X, provide the name, address, and TIN of each substantial U.S. owner of the NPFE. Please see the instructions for a definition of substantial U.S. owner. If providing this form to an FFI treated as a reporting Model 1 FFI or reporting Model 2 FFI' an NPFE may also use this part for reporting its controlling U.S. persons under an applicable IGA.

**Part XXX - Certification**

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- The entity identified on line 1 of this form is the beneficial owner of all the income to which this form relates, stating this form to certify the status for chapter 4 purposes, or as a member submitting this form for purposes of section 965A;
- The entity identified on line 1 of this form is not a U.S. person;
- The income to which this form relates is (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but not subject to tax under an income tax treaty, or (c) the partner's share of a partnership's effectively connected income and
- For foreign transactions or other exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which the entity on line 1 is the beneficial owner or any withholding agent that can determine or make payments of the income of which the entity on line 1 is the beneficial owner.

I agree that I will submit a new Form 1099 within 30 days if any certification on this form becomes incorrect.

**Sign Here**

- Signature of authorized officer to sign for transferee owner
- Print Name
- Date (MM/DD/YYYY)

☐ I certify that I have the capacity to sign for the entity identified on line 1 of this form.
Can Withholding Exemption Be Claimed?

**Form W-8IMY**

Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding and Reporting

**Section References are to the Internal Revenue Code.**

- Go to www.irs.gov/FormW8IMY for instructions and the latest information.
- Give this form to the withholding agent or payer. Do not send to the IRS.

Do not use this form for:
- A beneficial owner solely claiming foreign status or treaty benefits (other than a qualified intermediary) (QI) acting as a qualified derivatives dealer (QDD).
- A hybrid entity claiming treaty benefits on its own behalf (other than a QI acting as a QDD).
- A foreign person claiming benefits that income is derived from a trade or business in the United States.
- A disregarded entity with a single foreign owner that is a beneficial owner (other than a QI acting as a QDD) of the income to which this form relates. Instead, the single foreign owner should use W-8BEN, W-8ECI, or W-8BEN-E.
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession claiming the applicability of section(s) 1162(a), 501(c)(8), 892, 866, or 1443(a).

U.S. entity or U.S. citizen or resident.

**Part I Identification of Entity**

| 1. Name of organization that is acting as intermediary |
| 2. Name of disregarded entity (if applicable, see instructions) |
| 3. Chapter 3 Status (entity type) (Must check one box only): |
| 4. Chapter 4 Status (FATCA status) (see instructions for details and complete the certification below for this entity’s applicable status): |
| 5. Permanent address (street, apt., or suite no., or rural route). Do not use a P.O. box or RFD address (other than a registered address). |
| 6. Mailing address (if different from above) |
| 7. U.S. taxpayer identification number, if required |
| 8. GIN (if applicable) |

For Paperwork Reduction Act Notice, see separate instructions.
• FFI: Foreign Financial Institution – banks or similar business, trusts, investment funds, insurance companies and pension funds.

• Active NFFE: Non-financial Foreign Entity – Entity receive less than 50% of income from passive investments.

• Passive NFFE: Entity hold investment in foreign entity. Entity must disclose name and percentage of ownership. Failure to do so requires withholding agent to withhold 30%.

• GIIN: GLOBAL INTERMEDIARY IDENTIFICATION NUMBER – FFI ONLY. IRS issues to registered FFI. A FFI’s GIIN avoids the 30% penalty.
FATCA – CHAPTER 4 REPORTING EXEMPTIONS

- Active NFFE: Exempted from FATCA reporting requirements.
- Foreign governments, international organizations and foreign central banks
- Publicly traded entities and their expanded group affiliates
- Entities organized under U.S. laws, possession or governments of possessions.
- Income effectively connected with a U.S. trade or business included in the beneficial owner’s gross income for the year – W8ECI.
- Chapter 3 – Withholdable payments: Services, license fees, royalties, office and equipment leases, prize/awards, scholarships, interest on outstanding accounts payable from goods or service.
VM & AP Procedures
VM Process for Payments to Foreign Persons & Entities

- Vendor validated against OFAC databases and D&B database

- Confirm Nature of Payment corresponds to Description of Transaction

- Determine if transaction is for Services so profile will be coded for 1042 reporting if needed. Determine if services, like maintenance, tied to Goods purchase

- Review tax forms for completeness, correctness, compliance (next slide)

- Set up approved foreign vendor profile in ARC as Outside Party or Supplier, open for ordering, and 1042 reporting when applicable.

- Vendor modification required after new vendor profile is approved for wire transfer “location”
VM Process for Payments to Foreign Persons & Entities

**Persons**
- Determine country of citizenship and possible foreign status
- If service related, confirm if Payee performed service in US
- If performed in US, confirm visa type
- Checks Nature of Payment to Visa Type, and ISSE Visa Payment Chart.
- If tax treaty benefit claimed, checking for valid Tax Form & ID
- Confirm correct tax form is received, correct, signed, dated, and legible
- Compare to existing tax form if present

**Entities**
- Confirm country of incorporation is not US based.
- Confirm receipt of tax form
- Confirm tax form is correct based upon entity formation, signed, dated, and legible
- If tax treaty benefit claimed, check for valid ITIN, EIN or Foreign Tax ID#
- Compare to existing tax form if present
AP Process for Payments to Foreign Persons & Entities

• Reviews all foreign vouchers, including PO vouchers

• Check if payment is for Goods or Services
  • If Goods, process payment – no reporting or withholding
  • If Services/Honoraria/Award, etc., determine if U.S. Sourced
    • If not U.S. Sourced, process payment – no reporting or withholding
    • If U.S. Sourced, determine reporting and/or withholding requirements
      – Check Voucher to Visa type
      – Checks if payment subject to withholding
        » If no, process payment
        » If yes, checks tax forms & other items to see if eligible for exemption
          • If yes, process payment with no or reduced withholding
          • If no, process payment with full withholding

• Submits withholding amounts to IRS
Tax Reporting & Filing
Tax Reporting & Filing

- Eligible Foreign Persons Will Receive a Form 1042-S from Columbia University
  - Any Payment Subject to Withholding
  - For Any Exemptions or Reduced Withholding, University Must Provide Tax ID Number and Cite Tax Treaty Claimed
  - Form Shows Amount Paid to Foreign Person, Amount Withheld & Paid to IRS

- Withholding Done At Time of Payment. Withholding Amounts Sent to IRS Throughout the Year

- Form 8233 Submitted to IRS by Accounts Payable Once Received

- Form 1042-S Sent to Recipients on March 15

- Information Typically Filed with IRS on April 15
### Tax Reporting & Filing

**Form 1042-S**

**Foreign Person’s U.S. Source Income Subject to Withholding**

- **Department of the Treasury Internal Revenue Service**
- **2017**
- **Copy A for Internal Revenue Service**

**Columns**

- **1 Income code**
- **2 Gross income**
- **3 Chapter indicator. Enter “3” or “4”**
- **4a Exemption code**
- **4b Tax rate**
- **5 Withholding allowance**
- **6 Net income**
- **7a Federal tax withheld**
- **7b Check if tax not deposited with IRS pursuant to escrow procedure**
- **8 Tax withheld by other agents**
- **9 Tax paid by withholding agent**
- **10 Total withholding credit**
- **11 Amount repaid to recipient**
- **12a Withholding agent’s EIN**
- **12b Ch. 3 status code**
- **12c Ch. 4 status code**
- **12d Withholding agent’s name**
- **12e Withholding agent’s Global Intermediary Identification Number (GIIN)**
- **12f Country code**
- **12g Foreign taxpayer identification number, if any**
- **12h Address (number and street)**
- **12i City or town, state or province, country, ZIP or foreign postal code**
- **13a Recipient’s name**
- **13b Recipient’s country code**
- **13c Address (number and street)**
- **13d City or town, state or province, country, ZIP or foreign postal code**
- **13e Recipient’s U.S. TIN, if any**
- **13f Ch. 3 status code**
- **13g Ch. 4 status code**
- **13h Recipient’s GIIN**
- **13i Recipient’s foreign tax identification number, if any**
- **13j LOB code**
- **13k Recipient’s account number**
- **13l Recipient’s date of birth**
- **14a Primary Withholding Agent’s Name (if applicable)**
- **14b Primary Withholding Agent’s EIN**
- **14c Primary Withholding Agent’s TIN**
- **14d Primary Withholding Agent’s GIIN**
- **14e Country code**
- **14f Foreign taxpayer identification number, if any**
- **14g Address (number and street)**
- **14h City or town, state or province, country, ZIP or foreign postal code**
- **15a Intermediary or flow-through entity’s EIN, if any**
- **15b Ch. 3 status code**
- **15c Ch. 4 status code**
- **15d Intermediary or flow-through entity’s name**
- **15e Intermediary or flow-through entity’s GIIN**
- **15f Country code**
- **15g Foreign tax identification number, if any**
- **15h Address (number and street)**
- **15i City or town, state or province, country, ZIP or foreign postal code**
- **16a Payor’s name**
- **16b Payor’s TIN**
- **16c Payor’s GIIN**
- **16d Ch. 3 status code**
- **16e Ch. 4 status code**
- **17a State income tax withheld**
- **17b Payor’s state tax no.**
- **17c Name of state**

*For Privacy Act and Paperwork Reduction Act Notice, see Instructions.*

Cat. No. 11386R

Form 1042-S (2017)
Summary

- Foreign Payments Governed by DHS & IRS
- Four Questions
  - Is it Allowable to Conduct Business with the Foreign Person?
  - What Is the Status of the Foreign Person and What Activities Are Authorized With That Status?
  - Is the Payment to the Foreign Person Subject to Withholding?
  - If the Payment is Subject to Withholding, Is the Foreign Person Eligible to Claim Any Exemption?
- Per IRS Regulations, CU Requires One of the Following Tax Forms for Certification & Any Tax Treaty Claim:
  - Entities Use W8-BEN
  - Individuals Claiming Tax Treaty for Service Payments Use Form 8233
  - Individuals Claiming Tax Treaty for Other Payment (or Not Claiming) Use W8-BEN
- To Claim Tax Treaty Need Acceptable Tax ID #
Resources

• **Service Now:** AP Tax Inquiry Assignment Group
  [http://finance.columbia.edu/content/finance-service-center](http://finance.columbia.edu/content/finance-service-center)

• **AP:** Rich Mead (rm2161), Executive Director
  Melinda Sledge (ms4530), Director

• **Vendor Management:** Pat Mapp (pm3), Assist.Director
  Pauline Lewin (pl2241) Sr. VM Analyst

• **Export Control:** Michelle Avallone (mla25),
  Export Control Officer